

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

IN THE MATTER)	
)	
Implementation of the Local)	CC Docket No. 96-98
Competition Provisions in the)	
Telecommunications Act)	
of 1996)	CC Docket No. 99-68
)	
Inter-Carrier Compensation)	
for ISP-Bound Traffic)	

To: The Commission

**REPLY COMMENTS OF RONAN TELEPHONE COMPANY
IN SUPPORT OF PETITION FOR RECONSIDERATION AND/OR
CLARIFICATION OF THE “INDEPENDENT ALLIANCE
ON INTER-CARRIER COMPENSATION”**

Ronan Telephone Company (RTC) hereby submits its Reply Comments, supporting the Petition for Reconsideration or Clarification which was filed by the “Independent Alliance on Inter-Carrier Compensation” (hereinafter, “Alliance”) on or about June 14, 2001.

RTC is a small rural ILEC serving approximately 4000 lines on the Flathead Indian Reservation, a sparsely populated agricultural area in rural western Montana. The need for the reconsideration requested by the Alliance is exemplified by RTC’s experience with the implementation of the Telecommunications Act in a rural environment. A neighboring wireline telephone cooperative (ILEC) in western Montana has been utilizing selected portions of the Telecommunications Act and FCC rules to leverage its universal service subsidies and legal preferences to provide competitive wireline services to RTC’s largest customers and wireless services throughout Western

Montana; to the long term detriment of the majority of Ronan's ratepayers and RTC's ability to sustain the provision of affordable rural universal wireline services. The cooperative is unregulated at the state level, heavily subsidized, and lightly taxed, while RTC is fully regulated, lightly subsidized and fully taxed. RTC has been in litigation for over three years in an effort to resolve reciprocal compensation issues so as to mitigate adverse long term rate impacts to local wireline ratepayers. RTC has been thwarted by the Co-op's exemption from state regulation and Montana PSC interpretations of FCC rules which were designed to be applied in urban areas. RTC is convinced that the Co-op is using Universal Service Fund (USF) subsidies, which are intended to preserve affordable service for its incumbent telephone customers, to fund unprofitable competitive services outside its incumbent study area, both in RTC's community and elsewhere. RTC's requests that the Montana PSC address this issue, to insure the proper use of USF resources and that the rural competitive market that evolves in Ronan is fair and beneficial to all consumers, have thus far, fallen on deaf ears.

RTC is now bound under an interim order of the Montana PSC to exchange traffic with the Cooperative on a "Bill and Keep" basis, even though RTC receives and terminates/completes 80% of the traffic flow¹ and without any showing in the case that the termination costs of each company were similar. Furthermore, there is no assurance that the traffic transmitted over the Co-op/RTC interconnection is limited to local traffic, and RTC cannot accurately verify or control such abuses.

Most importantly, the selective enforcement of FCC rules in a rural competitive environment influenced by service subsidies is fraught with market imperfections from

¹ RTC believes that an 80%-20% ratio of traffic exchanged is not "roughly balanced" by any reasonable interpretation of that phrase; and the Montana PSC's decision is completely inconsistent with 47 C.F.R. §51.713(b) and 47 U.S.C. §252(d)(2)(A)(I), and therefore intends to appeal the ruling after a final order is issued.

arbitrage and cherry-picking; and is detrimental to universal service goals, particularly for the most vulnerable low income consumers. For example, the access charges which are at risk from the precedents being established in the “free service” Co-op-RTC connection in Ronan amounts to two-thirds of RTC’s total regulated revenues. These revenues are essential to the preservation and support of universal service (affordable basic phone service) for Ronan’s rural, low-income, and economically disadvantaged Indian Reservation consumers. However, the Co-op is targeting only the largest most lucrative customers in the Ronan area (the headquarters of the Tribal government, the Tribal College, and the largest businesses in the community); and is using the “Bill and Keep” interim order granted by the Montana PSC to further subsidize its competitive entry; which RTC believes is already subsidized by USF, state regulatory immunity, and tax preferences.

The bottom line is that small rural ILECs and the vast majority of the customers they serve cannot afford for this crucial and costly infrastructure to be provided to any and all connecting carriers for free. An even more unjust result is when the small telephone companies and the majority of their customers, who will not have options for wireline service from competing carriers, are forced to pay a competitor to use these facilities!² To be forced to provide free use of the existing rural infrastructure, or to be forced to pay competitors who use this infrastructure, is an implicit subsidy from the rural telephone company and its customers (the vast majority of whom do not and will not have options for traditional telephone service) to competing firms, by any rational definition; these policies are economically inefficient, contrary to public policy and contrary to 47 U.S.C. §254(e). The ultimate consequence of policies that force such results will be a

² This is a possible result as the FCC reciprocal compensation rules are currently structured, 47 C.F.R. §51.711

rural wireline network that cannot attract capital to maintain itself, let alone provide and sustain enhanced and advanced services.

RTC strongly supports the Petition of the Alliance filed with the Commission, and urges the serious consideration of the issues therein, and granting the relief requested, which would limit the FCC's decision to ISP-bound traffic, and retain the authority and flexibility of states over local and intrastate traffic.

DATED: July 30, 2001

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that on the 31st day of July, 2001, the forgoing Reply Comments are being served on the following by first-class U.S. mail, postage-prepaid:

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